Seplat is underpinned by a high quality asset base and since inception has invested to consistently grow oil production capacity. In 2017, we prioritised the creation of multiple oil export routes to mitigate concentration risk in the future.

Looking ahead, we have a large inventory of production drilling opportunities in our current portfolio that we will high-grade and implement a work programme to exploit.

Optimising our oil production

Resumption of full production operations post lifting of force majeure at the Forcados terminal

The operator of the Forcados terminal, Shell Nigeria, initially declared force majeure on 21 February 2016 following disruption in production and exports caused by a spill on the Forcados subsea crude export pipeline.

Force majeure was lifted on 6 June 2017 at which point Seplat was able to reinstate operations. As a result, working interest oil production over the second half of the year averaged 26,062 bopd and was in line with guidance with production uptime standing at 81%.

A focused work programme targeting highest cash return production opportunities

In recent years Seplat has been one of the most, if not the most, active drillers onshore the Niger Delta. This is reflected in the fact that since 2010 we have drilled 45 new oil production wells at OMLs 4, 38 and 41.

2017 was a year in which we exercised our discretion over spend as a result of force majeure and prudently scaled back our rig based work programme. However, we took the opportunity to make upgrades to our liquid treatment infrastructure at OMLs 4, 38 and 41 that will enable Seplat to inject export grade dry crude on all export routes and at the same time save on additional crude handling charges as a result of water in our crude. Looking ahead, having emerged from the extended period of force majeure our focus will now switch to selectively considering production drilling opportunities in the existing portfolio with a view to reinstating a drilling programme designed to capture the highest cash return production opportunities to both sustain and grow output.

Multiple export routes to de-risk distribution to market in the future

Seplat's policy is to establish multiple export routes for all of its current and any future oil producing assets. This resulted in the Company actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce any over-reliance on one particular third party operated export system. In line with this objective, repairs and upgrades on two jetties at the Warri refinery were completed in 2017 that will enable sustained exports of 30,000 bopd (gross) if required in the future. Prior to the repair and upgrade work on the two jetties gross exports via the Warri refinery were around the 15,000 bopd level. While exports via the Warri refinery jetty have typically incurred barging costs of around US$11/bbl, partially offsetting this is the fact that exports via this route are not subject to the reconciliation losses (historically in the order of 10% to 12%) or terminal crude handling and transport charges when exporting via the Forcados pipeline and terminal.

Longer term, the 160,000 bopd capacity Amukpe-Escravos pipeline is set to provide a third export option for liquids production at OMLs 4, 38 and 41. Seplat signed a Funding Agreement in December 2017 with the pipeline owners, NAPIMS (a 100% subsidiary of NNPC), Pan Ocean Corporation Limited ('Pan Ocean') and the pipeline contractor FENOG to ensure timely completion of the pipeline. Post year end, FENOG has commenced completion works. Negotiations between the pipeline operator, Pan Ocean, and Chevron in relation to Crude Handling Agreements are also advancing. The Heads of Terms for the Crude Transport Agreement between NPDC/Seplat JV and NAPIMS/Pan Ocean JV is also nearly completed and Seplat anticipates the pipeline to be fully commissioned and operational in Q3 2018.

With line of sight on the availability of three independent export routes it is Seplat's ultimate intention to utilise all three to ensure there is adequate redundancy in evacuation routes, reducing downtime which has adversely affected the business over a number of years, significantly de-risking the distribution of production to market.